

## Message Text

CONFIDENTIAL

PAGE 01 AMMAN 01019 01 OF 02 091553Z

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ACTION SS-14

INFO OCT-01 ISO-00 NEA-06 SP-01 EB-03 SSO-00 IGA-01

( ISO ) W

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O 091500Z FEB 75

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC IMMEDIATE 3788

C O N F I D E N T I A L SECTION 1 OF 2 AMMAN 1019

LIMDIS

EO 11652: GDS

TAGS: EAID, JO

SUBJECT: BRIEFING FOR YOUR VISIT TO JORDAN

FOR UNDER SECRETARY ROBINSON FROM AMBASSADOR.

REF: A) AMMAN 0961; B) AMMAN 722; C) AMMAN 816; D) AMMAN 831

1. AS REPORTED REF A, PRIME MINISTER PLANNING ARRANGE DISCUSSION WITH KEY PERSONS WHO WERE INVOLVED IN JOINT COMMISSION MEETING HELD DURING RECENT VISIT OF AID ADMINISTRATOR PARKER. WE ARE ASSEMBLING APPROPRIATE BRIEFING MATERIALS FOR YOUR VISIT. HOWEVER, SUGGEST YOU ALSO REVIEW REFTEL REPORTS ON PARKER VISIT SINCE THEY REFLECT LIKELY CONTENT OF GOJ MEETING WITH YOU. IN ADDITION, SUMMARIZED BELOW IS BRIEFING MEMORANDUM PREPARED FOR PARKER VISIT WHICH OUTLINES U.S. ECONOMIC ASSISTANCE EFFORTS AND RELATED ISSUES. IT WILL PROVIDE YOU WITH BACKGROUND ON SUBJECT MATTER WHICH IS CHIEF FOCUS OF U.S.-JORDANIAN ECONOMIC RELATIONS.

2. U.S. ECONOMIC AID - POLICY FRAMEWORK: U.S. ECONOMIC ASSISTANCE TO JORDAN RESTS ESSENTIALLY ON THREE INTERRELATED PROPOSITIONS. (1) JORDAN'S CONTINUED EXISTENCE AS MODERATE, RELATIVELY STABLE AND BASICALLY PRO-US ARAB STATE IS CENTRAL TO U.S. INTERESTS IN MIDDLE EAST, PARTICULARLY DURING CURRENT PERIOD OF UNCERTAINTY AND NEGOTIATION. A STABLE AND MODERATE JORDAN IS ALSO IMPORTANT TO ISRAEL' SECURITY AND TO LESSER EXTEND TO SECURITY OF SAUDI ARABIA AND GULF STATES. (2) BECAUSE

CONFIDENTIAL

PAGE 02 AMMAN 01019 01 OF 02 091553Z

OF JORDAN'S NARROW ECONOMIC BASE IT MUST CURRENTLY DEPEND

ON OUTSIDE SOURCES FOR SIGNIFICANT PORTION OF ITS ANNUAL BUDGET REVENUES (50 PERCENT IN 1974). (3) IF JORDAN IS TO REDUCE AND ULTIMATELY ELIMINATE ITS FISCAL DEPENDENCE ON U.S. AND OTHER OUTSIDE DONORS, IT MUST DEVELOP ITS INTERNAL ECONOMIC POTENTIAL.

3. CATEGORIES OF ASSISTANCE:

A. BUDGET SUPPORT:

1. U.S. HAS PROVIDED CASH SUPPORT TO JORDANIAN BUDGET EVERY YEAR SINCE FY 1957 WITH EXCEPTION OF FISCAL YEARS 69, 70, 71. PRIOR TO WAR IN JUNE 1967, U.S. BUDGET SUPPORT WAS DECLINING AS JORDAN'S ECONOMIC DEVELOPMENT PROGRESSED, BUT THE WAR INTERRUPTED THIS PROCESS. FOLLOWING 1967 WAR, SAUDI ARABIA, KUWAIT, AND LIBYA AGREED TO PROVIDE FINANCIAL SUPPORT TO THE JORDANIAN BUDGET, AND CONCURRENTLY U.S. DISCONTINUED ITS PAYMENTS. HOWEVER, AS RESULT OF JORDAN'S OUSTER OF PLO IN 1970-71, KUWAIT AND LIBYA STOPPED THEIR SUPPORT AND, CONSEQUENTLY, U.S. AGREED TO RE-INSTITUTE BUDGET SUPPORT. KUWAIT RESTORED ITS PAYMENTS AFTER THE WAR IN OCTOBER 1973, BUT LIBYA DID NOT. IN 1974, SAUDI ARABIA AND KUWAIT TOGETHER PROVIDED APPROXIMATELY \$80 MILLION IN BUDGET SUPPORT. SINCE U.S. BUDGET SUPPORT WAS RENEWED FOLLOWING 1970-71 CONFRONTATION WITH THE PLO, IT HAS AVERAGED \$50 MILLION PER YEAR.

2. BOTH GOJ AND USG WOULD LIKE TO REDUCE US BUDGET SUPPORT OVER REASONABLE PERIOD OF TIME. WE BELIEVE ECONOMIC POTENTIAL NECESSARY FOR FISCAL INDEPENDENCE IS PRESENT IN JORDAN, BUT THE POLITICAL AND SECURITY CLIMATE IN MIDDLE EAST MAKES IT VERY DIFFICULT FOR GOJ TO FOCUS ON LONGER TERM ECONOMIC ISSUES.

A. ISSUES:

(1) A BASIC PROBLEM WE FACE WITH BUDGET SUPPORT IS THAT BECAUSE OF THE OVERRIDING POLITICAL INTERESTS OF U.S. IN JORDAN'S STABILITY AND ITS ROLE IN MIDDLE EAST NEGOTIATIONS, IT IS NOT POSSIBLE TO IMPOSE LIMITATIONS ON GOJ'S BUDGET OR SIZE OF DEFICIT. JORDAN'S LONG-STANDING SENSE OF INSECURITY WAS REINFORCED BY 1973 WAR AND THIS HAS FURTHER AGGRAVATED

CONFIDENTIAL

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PAGE 03 AMMAN 01019 01 OF 02 091553Z

THE TENDENCY FOR BUDGET TO GROW AT LEAST AS FAST AS BUDGET SUPPORT PAYMENTS. THIS BUDGETARY EXPANSION CREATES GREAT PRESSURE FOR INCREASED BUDGET SUPPORT, AND BECAUSE OF OUR LARGER POLITICAL INTERESTS, WE ARE NOT IN POSITION TO INSIST UPON BUDGETARY RESTRAINT.

(2) WITH ENORMOUS INCREASE IN OIL REVENUES IN REGION IT WOULD BE POSSIBLE FOR COUNTRY LIKE

SAUDI ARABIA OR KUWAIT ENTIRELY TO COVER JORDANIAN BUDGET DEFICIT WITHOUT ANY NEED FOR U.S. SUPPORT, IF THEY WERE PREPARED TO DO SO. THE U.S. WOULD LIKE TO SEE GOJ OBTAIN FUNDS FROM ARAB OIL STATES TO MAXIMUM EXTEND POSSIBLE. HOWEVER, THE JORDANIANS RECALL THAT KUWAIT AND LIBYA DISCONTINUED BUDGET SUPPORT PAYMENTS IN 1970 BECAUSE OF KING HUSSEIN'S STAND AGAINST FEDAYEEN. CONSEQUENTLY, THEY DO NOT WISH TO BE TOTALLY DEPENDENT UPON ARAB STATES FOR BUDGET SUPPORT SINCE THEY KNOW BOTH KUWAIT AND SAUDI ARABIA ARE VULNERABLE TO PLO PRESSURE. U.S. INTEREST IN MINIMIZING PLO PRESSURE ON THE JORDANIANS ALSO ARGUES FOR CONTINUED U.S. SUPPORT IN BUDGETARY AREA.

(3) CASH GRANT BUDGET SUPPORT HAS NEGATIVE IMPACT ON THE U.S. BALANCE OF PAYMENTS. WE WISH TO MINIMIZE THIS EFFECT BUT WE CANNOT ENVISAGE ANY MECHANISM TO DO SO THAT WOULD NOT ALSO INVOLVE UNACCEPTABLE ADMINISTRATIVE AND OTHER COMPLICATIONS. ON THE POSITIVE SIDE, HOWEVER, IS FACT THAT U.S. COMMERCIAL EXPORTS TO JORDAN ARE ON SAME ORDER OF MAGNITUDE AS U.S. BUDGET SUPPORT, SO VIEWED IN THIS LIGHT, ONE CAN ARGUE OUR FUNDS ARE SPENT IN U.S.

(4) WE BELIEVE JORDAN COULD TAKE SOMEWHAT GREATER SHARE OF GNP IN DOMESTIC REVENUES THAN IT DOES. THIS IS OBVIOUSLY SENSITIVE ISSUE, HOWEVER, AND IT IS DIFFICULT FOR OUTSIDERS TO JUDGE HOW FAR THE GOVERNMENT CAN GO IN INCREASING TAXES WITHOUT UNDULY WEAKENING THE POLITICAL SUPPORT ON WHICH KING HUSSEIN DEPENDS.

B. DEVELOPMENT ASSISTANCE:

1. IF JORDAN IS ULTIMATELY TO ELIMINATE ITS DEPENDENCE UPON OUTSIDE BUDGET SUPPORT, IT MUST DEVELOP ITS OWN RESOURCES.  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 AMMAN 01019 01 OF 02 091553Z

CONSEQUENTLY, OUR INTENT IS TO DEVISE MEANS OF GRADUALLY

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 AMMAN 01019 02 OF 02 091613Z

ACTION SS-14

INFO OCT-01 ISO-00 NEA-06 SP-01 EB-03 SSO-00 IGA-01

( ISO ) W

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O 091500Z FEB 75

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC IMMEDIATE 3789

C O N F I D E N T I A L SECTION 2 OF 2 AMMAN 1019

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## Message Attributes

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